

Factors Affecting Industrial Employment - Case Study No. 2

A. Introduction.

Our case study No. 2 is on Uganda Breweries Ltd. The study is a follow up of EDRP No. 69. It is still intended to examine variables like output, employment, productivity, wage-structure, etc. in major Uganda employers, and the relations of these variables in recent years. All along, I shall try to compare the situation at Uganda Breweries with the experience at Nyanza Textiles (Nytil).

B. Employment Policies of Uganda Breweries.

The Company.

Uganda Breweries Ltd, unlike Nytil, is a private concern. It has a capital of £600,000 subscribed by about 800 shareholders. The company which was incorporated in 1946 did not begin actual production until 1950.

The factory situated at Port Bell, seven miles from Kampala, occupies one of the most beautiful sites on the lake area.

The company produces Bell, White Cap, I P A, and Uganda Tusker beers. Experiments to brew Uganda Pilsener and City beers are underway.

The establishment is divided in three departments namely, Production, Engineering and Sales. These are co-ordinated at management level.

Recruiting Method.

Uganda Breweries is a small firm. There is not an elaborate internal organization as exists at Nytil. This probable explains why there are no formal, laid down procedures in the company's recruiting approach. Another reason could be that the nature of jobs in a brewery does not require greater dexterity and higher intelligence as that in a textile concern.

There have not been large scale recruiting campaigns at the factory in recent years. Recruitment has been one by one to replace those discharged or resigning. Generally, the heads of departments are given discretion to recruit people they think are suitable.

In the engineering department where operatives have to be either skilled or semi-skilled, the practice is to advertize in newspapers and at technical schools. Sometimes they consult the Ministry of Labour's employment exchange but this latter method the management admits, is used less often.

In the production department, recruitment is mainly for unskilled jobs like bottling and sweeping. The workers are picked from the gate or are brought by old comers.

The sales people have contracts extending for a certain period and only people like turnboys and case loaders are usually picked from the gate. Around Christmas or Easter season, more casual labourers may be taken on. At normal periods, casual jobs are covered under overtime.

For the clerks and other higher administrative jobs, the procedure is to advertize in the papers. The applicants are then called for interview.

Training.

The company has no specialized training schools within their departments as is the case with Nytil. Staying on the job for a long period appears the only way an

operative can gain the experience and know-how of that particular job. In a brewery, the jobs are not as specialized as those in textiles so that training unskilled workers before they are taken on is less imperative. Most of the jobs in which the bulk of the factory's labour force engage need simply physical effort, e.g. cleaning tanks, cleaning the place, loading and unloading lorries.

The company appears to be putting most of its training emphasis on middle and senior management staff. It is contended that an able supervisory management will be able to direct efficiently the work force at large. Thus most of the management people have either been to courses in U.K. and Makerere or to those given by the Ministry of Labour and the Federation of Uganda Employers.

Tribes.

Tribal Composition of Labour Force.

Tribe	Employees 1962 - 1965: % of total				Length of Service: % of each tribe		
	1962	1963	1964	1965	0-5 yrs.	5-10 yrs.	over 10 yrs.
Baganda	29.9	29.3	34.5	27.1	65.8	26.3	7.9
Basamia (Bukedi)	5.1		9.3	10.0	64.3	28.6	7.1
Acholi	2.6	3.9	3.9	3.6	70.0	20.0	10.0
W. Nile	2.6	3.2	2.7	3.6	40.0	40.0	20.0
Luos (Kenya)	43.2	46.8	33.3	37.1	60.6	26.9	12.5
Others	16.7	16.8	16.3	18.6	65.4	23.1	11.5

Tribal Composition of Labour Force - Summary.

Tribe	1962	1963	1964	1965
Baganda	29.9	29.3	34.5	27.1
Luos	43.2	46.8	33.3	37.1
Others	26.9	23.9	32.2	35.8

Source: Uganda Breweries files.

Like Nytil, employees at Uganda Breweries come from various regions of Uganda and neighbouring states. But what remarkably stands out on tribal composition of employees is that for several years, the Baganda and Luos* have constituted more than two thirds of the work force at the factory. In 1963, the Luos were almost half of the total work force.

Some of the reasons advanced for the large contingent of Kenyans include (i) the place being easily reached by a steamer (ii) the factory being located near the three areas of greater Kampala densely populated by Kenyans, namely Luzira, Kiswa and Nakawa. What is probably more relevant to the large number of Kenyans is the fact that they stay longer and accept manual work. For example, over 90% of the Kenyans at the factory have been there for at least two years (compared to about 75% for Baganda).

Promotions.

Heads of departments usually working on the advice of

* Almost all Luos have been grouped as Kenyans.

foremen decide when and who is to be promoted. Availability of new jobs in the factory may speed up the rate of promotion by the "closing ranks" system. Thus as management seems to put less emphasis on retraining and more on learning by experience, those engaged in manual tasks have to show willingness and capacity to work and have to have served for some years before they are likely to gain promotions. It is in skilled and semi-skilled jobs that educational background is seriously taken into account.

Working Hours.

The company operates on a 45 hour-week, excluding overtime. General labour works for eight hours a day. In the sections directly concerned with beer brewing e.g. engineering (boiler and compressor rooms, water plant) and brew house, fermenting and filter sections, operatives work in three shifts, eight hours each shift. In empty bottles and full cases stores where work has to be tuned. to sales, employees work in two shifts of eight hours each. The sales people work for eight hours a day after which they claim overtime allowance. There is a 24-hour askari guard in four shifts.

Leave.

Completed years of service	No. of days	Travel allowance
1	18	40/-
2	18	50/-
3	21	60/-
5+	28	70/-

C. Capital Equipment, Output and Employment

Capital Equipment.

The establishment is heavily mechanized. The process of beer making apparently demands careful handling of ingredients to protect them from contamination. This the machines seem to do better than human beings. In fact, from the compressors to the beer-storage tanks, it is all machine with very few men making minor adjustments.

Most of the machines were installed before the factory started operating. The management contends that changes in machinery which have been done in recent years were designed either to speed up the process of beer production or to improve efficiency. By and large, these changes have been very minor. This is verified by 1960 to 1963 figures of additions to fixed assets (Table 1) - additions of 1.9% p.a.

A £250,000 expenditure is planned for the 1965/66 fiscal year, however. This will be an expansion of about 29% in fixed assets. This expansion will increase capacity slightly less, around 20%, but as noted below will have little effect on employment.

Expansion and introduction of new machinery is a prerogative of management after consulting the shareholders. Such expansionary moves are also guided by market survey results. The 1963/64 sales figures show that because of the Kampala Agreement, beer export to other East African countries declined. For example, exports to Tanzania declined by 61%. The decline in exports to Tanzania will be presumably more than offset by increased production for Uganda due also to Kampala Agreement under which imports from Kenya must be reduced. This could only be the justification for the planned expansion.

Output.

Output as Table 2 indicates increased substantially from 1955/56 to 1957/58. Then for the next two years, however a decline of over 40% in output was experienced, mainly due to the trade boycott. Since 1959/60 the recovery has been less dramatic but steady. For cases, the increase has averaged about 4.8% per year from 1960/61 to 1963/64 compared to about 10.2% for sales value which is inflated by excise tax. However, the steady recovery was slightly but genuinely interfered with by the Kampala Agreement of 1963/64.

Estimates after 1965/66 expansion appear very optimistic. The expansion envisages an increase in sales of about 54% in cases and about the same in pounds!

On the other hand profits increased dramatically in 1961/62, and since then have continued to increase but at a declining rate, by 34% in 1962/63 and 14% in 1963/64.

Employment.

The factory's labour force did steadily build up after operations started and by 1956, it had more than doubled to about the 400 level. Since 1956, the employment picture is rather gloomy. For 1957 and 1958, it remained stagnant. The abrupt fall in output due to the trade boycott cut employment nearly in half in 1959, from which it recovered to around the 300 level in 1960. From 1960 up to the present it continued zigzaggedly, remaining broadly constant around the 300 mark, with no sign of possible recovery to the 1956-58 level of about 400.

African Employment trends in Uganda 1958-1963.

	1958	1959	1960	1961	1962	1963
Manufacturing (Private Industry)	24960	23978	24304	25566	22481	24413
All Employees in Uganda	228399	224260	228889	220999	216773	208350

Source: Enumeration of Employees.

The figures above show that on both industry level and national level, the picture is that of stagnancy. The decline in Uganda Breweries' labour force has been more distinct than in either industry or Uganda as a whole. The decline was concentrated in the two years from 1958 to 1960, and since then employment has remained stagnant as in manufacturing generally.

It is notable that the management envisages a 20% increase in capacity in the 1965/66 expansion but expects that only 6 to 10 people will be taken on.

As indicated earlier, the degree of mechanization is very high. For example in the brew house, which has an installation of three pairs of large brewing pots and a milling machine, the company needs only three or four people to man the operations. In the cooling and collecting tank sections, the major work is that of cleaning the tanks and the floor. The liquid is moved from one vessel to another by automatic pumping. In the bottling hall, washing, filling and labeling of bottles is all done by machine, and movement of bottles from one process to another is made rapid by conveyors and pumps.

The sections which employ many people are mainly those which store empty and full cases of beer and the transport section.

Trends in Output, Employment and Average Productivity
1960/61 - 1963/64.

1. Using sales value as the output measure,		
growth in output	=	10.2% p.a.
growth in employment*	=	-1.7% p.a.
growth in average productivity	=	12.1% p.a.
2. Using beer cases as the output measure,		
growth in output	=	4.8% p.a.
growth in employment*	=	-1.7% p.a.
growth in average productivity	=	6.6% p.a.

D. Wages and Employment.

The company pays on a monthly basis. The starting pay for an unskilled worker is as high as sh. 180/- per month. This of course is higher than the minimum wage. The trade union there, Uganda Breweries and Beverages Workers' Union, was formally recognized in March 1962.

Wage increases due to negotiation with the Union.

Actual figures on 1962 negotiated wage are not available but as Table 4 shows (also see Summary of that table below), there were notable gains especially in the low paid groups.

Wage-Structure - Table 4 Summary.

Range (sh)	YEAR			
	1961	1962	1963	1964
50 - 79	63	6	0	0
80 - 124	93	93	7	0
125 - 299	67	113	219	188
300+	32	49	61	70

Agreements with the Union.

1. March 1, 1963 - agreement for 1 year.

Minimum wage was raised from sh. 120/- to sh. 150/- per month.

Consequential increases:

Below	sh. 120/- per month	...	sh. 150/- or 25%
Between	120/- & 150/-	...	150/- or 15%
Between	151/- & 285/-	...	15%
Between	286/- & 460/-	...	12%
Between	461/- & 850/-	...	8%
	851/- +	...	5%

* Employment change calculated from June 1961 to June 1964.

2. March 1, 1964

Two year agreement covering 1964 and 1965*.
First Year: Minimum wage was raised from sh. 150/- to sh. 165/- per month.

Consequential increases:

Between	sh. 151/- &	sh. 166/- per month	...	sh. 15/-
Between	167/- &	300/-	...	20/-
Between	301/- &	400/-	...	25/-
	401/- +		...	30/-

Second Year - March 1, 1965.

Minimum wage was raised from sh. 165/- to sh. 180/- per month.

Consequential increase:

Between	sh. 165/- &	sh. 180/-	...	sh. 15/-
Between	181/- &	300/-	...	25/-
Between	301/- &	400/-	...	25/-
	401 +		...	30/-

Clearly, the 1963 wage agreement had a more marked closing-up effect on the wage structure than either part one or part two of 1964 agreement. As shown above, the increase in 1963 ranged from 25% to 5% while 1964-65 ones ranged from 14% to 8%.

An exercise to estimate the share of the Wage Bill in sales value shows (Table 5) that it changed very little for about four years 1955-58, and then suddenly went up in those famous bad years when the factory was hit by the trade boycott. Since 1960/61, in both sales value and crude value added, the share of the wage bill has very slowly declined.

Trends in Wage Bill, Employment and Average Wage 1960-1964

Growth in Wage Bill	=	7.0% p.a.
Growth in Employment	=	- 1.7% p.a.
Growth in Average Wage	=	8.7% p.a.

Thus the trend in wages has been less than the trend in productivity using sales value (including excise) as an output measure, but somewhat more than the trend in productivity using number of cases as the output measure.

Conclusions.

Summarizing, the situation at Uganda Breweries with regard to employment trends is almost the reverse of what we saw at Nytil. At Nytil, employment had been increasing and was expected to continue. At Uganda Breweries however, employment declined from 1958 to 1960, and has remained stagnant since then. This state of affairs since 1960 agrees with the industrial employment pattern in the country as a whole. What is more distinct is the abrupt decline in employment at the Breweries from 1958 to 1960.

The question pertinent to our analysis is "why has employment after partial recovery from the 1959 trade

* Turn boys and loaders of full cases of beer were given special allowance of sh. 5/- per month in 1964 and sh. 10/- per month in 1965.

boycott, not gone up again to the 1956-58 mark?" My deliberations with the management would advance the following reasons:

There have been organizational measures taken to economise labour especially since 1959. The management contends these measures were taken to overcome the deficit resulting from the trade boycott and to meet the increasing wage bill. The economy measures have been of the two types: Firstly, there has been intensified training of high level and middle management staff. Most of the men in these categories have undergone training and there is clear evidence that the level of efficiency has gone up due to improved supervisory measures. Secondly, improved use and general layout of machinery has reduced the need for labour. For example, in the bottling hall, machines like the washer, filler, pasteuriser, labeler and other auxiliaries like conveyors and pumps have been installed in pairs so that in case of breakdown for one machine, another one remains in operation.

Another seemingly important factor is the sales, which, needless to say control output. From Table 2, it is clear that the 1959 trade boycott and the recent Kampala Agreement have interfered with the company's efforts to expand output. Output in cases* in 1963/64 was still below 1955/56, eight years before. Our calculations have shown that the average annual increase in output since 1960/61 has been only 4.8%.

On wages, there have been notable increases since 1961 with the highest increases in 1963. The 1963 increase had a definite closing-up effect on the wage structure, as the major gains were made by people at the lower end of the scale. The annual increases in wage bill since 1960 appear to be greater than increases either in output or average productivity.

Thus one can say that the inability to expand sales and continuing increases in wages have made management use labour sparingly by employing organizational measures and using capital equipment more efficiently.

* For our analysis, the cases are more pertinent because the sales figures include the excise duty.

Table 1 Capital Equipment

Year	Fixed Assets	Additions
	(£)	(£)
1959/60	795698	
1960/61	811884	16186
1961/62	833319	21435
1962/63	844124	10805
1963/64	858716	14592

Source: Uganda Breweries files.

Table 2 Output 1955 - 1966 (est.)

Year	Sales	change over previous year(s)	Sales	change over previous year(s)	Pro- fits (gr)	change over previous year
	(cases)	(cases)	(£)	(£)	(£)	(£)
1955/56	358,594		681329			
1956/57	365,503	6909	694455	13126		
1957/58	426,800	61297	810920	116465		
1958/59	361,091	-65709	686073	-124847		
1959/60	208,185	-152906	421574	-264499		
1960/61	282,787	+74602	588395	166821	32822	
1961/62	304,813	22026	654102	65707	68360	35538
1962/63	348,704	43891	826418	172316	90668	22508
1963/64	324,037	-24667	785815	-40603	104167	13299
1965/66 (est.)	500,000	175963	1,212,500	426685		

Source: Uganda Breweries files.

Note: Sales value includes excise duty. The fiscal years run from August 1, to July 31.

Table 3 Employment. 1950 - 1965

Year	Europeans	Asians	Africans	Total
1950	3	13	131	147
1951	5	14	121	140
1952	5	18	154	177
1953	6	18	187	211
1954	8	20	226	254
1955	7	23	288	318
1956	11	33	370	414
1957	11	31	334	378
1958	11	33	368	412
1959	13	27	190	230
1960	9	27	259	295
1961	7	28	266	301
1962	7	21	234	262
1963	7	21	280	308
1964	7	21	258	286
1965	6	21	280	307

Source: Annual responses to Enumeration of Employees, by permission of Uganda Breweries. Note figures are for month of June

Table 4 Wage Structure (African Employees)

Wage-range	N	U	M	B	E	R	S
	1958	1959	1960	1961	1962	1963	1964
50 - 59	199	23					
60 - 69	22	30					
70 - 71	15	13	25	63	6		
80 - 89	27	13	5	8			
90 - 99	2	14	88	58	3		
100 - 124	21	25	37	27	90	7	
125 - 149	26	13	10	13	42		
150 - 174	13	6	19	20	21	141	121
175 - 199	11	11	12	7	8	26	12
200 - 299(+)	32	42	38	37	42	52	55
300 - 399			7	9	17	21	32
400 - 499			7	10	9	13	14
500 - 999			11	13	14	18	16
1000-1499					9	6	4
1500+						3	4
	368	190	259	265	261	287	258

Source: Annual responses to Enumeration of Employees, by permission of Uganda Breweries.

Notes: 1962 includes a small number of Employees at Jinja, Mbale, Masaka and Fort Portal depots. 1963 includes 7 employees at Mbale.

Table 5 Wage Bill Relative to Other Costs.

Year	sales value	value of major inputs	crude value added	wage bill	share of wage bill in value added	share of wage bill in sales value
	(£)	(£)	(£)	(£)	%	%
1955/56	681329			62682		9.3
1956/57	694455			56908		8.2
1957/58	810920			67271		8.3
1958/59	686073			57624		8.5
1959/60	421574			62270		14.7
1960/61	583395	82831	505564	77523	15.3	13.2
1961/62	651102	96441	557661	78323	14.0	12.0
1962/63	820418	103351	723067	91820	12.7	11.1
1963/64	781815	96940	688875	94765	13.8	12.1

Source: Uganda Breweries files.

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